

**ANNUAL FINANCIAL STATEMENT FOR THE YEAR  
ENDED 30 JUNE 2010**



# ANNUAL FINANCIAL STATEMENTS

for

## KANNALAND LOCAL MUNICIPALITY

for the year ended 30 June: **2010**

Province: Western Cape

### Contact Information:

Name of Municipal Manager: Mr. KR De Lange

Name of Chief Financial Officer: Mr. BT Lalor

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**KANNALAND LOC  
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**General information**

**Members of the Council**

Councillor N Valentine  
Councillor R Rademeyer  
Councillor M Barry  
Councillor D Esau  
Councillor E Johannes  
Councillor C Adams  
Councillor W Koenze  
Councillor J Donson  
Councillor L Willemse

**Municipal Manager**

Mr KR De Lange

**Chief Financial Officer**

Mr. BT Lalor

**Grading of Local Authority**

Medium

**Auditors**

Auditor-General

**Bankers**

ABSA

**AL MUNICIPALITY**  
**FOR THE YEAR ENDED 30 JUNE 2010**

**Mayor**  
**Deputy Mayor**  
**Speaker**  
Member  
Member  
Member  
Member  
Member  
Member

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**Approval of annual financial statements**

I am responsible for the preparation of these annual financial statements, which are set out on pages 1 to 32, in terms of Section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of Councillors, loans made to Councillors, if any, and payments made to Councillors for loss of office, if any, as disclosed in note 21 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

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Municipal Manager: Mr KR De Lange

DATE

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**KANNALAND LOCAL MUNICIPALITY**  
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<b>STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2010</b>			
	<b>Note</b>	<b>2010 R</b>	<b>2009 R</b>
<b>ASSETS</b>			
<b>Current assets</b>			
Inventories	2	490 617	109 860
Consumer debtors and other receivables	3	2 976 840	3 562 941
Other receivables	4	2 960 819	2 811 346
VAT receivable	7	697 615	1 245 767
Cash and cash equivalents	8	3 221 425	8 053 410
<b>Non-current assets</b>			
Property, plant and equipment	9	267 063 869	263 023 893
Other assets	5	14 118	17 131
Investments	10	2 749 438	2 419 522
<b>Total assets</b>		<b>280 174 740</b>	<b>281 243 870</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Borrowings	11	324 327	324 327
Provisions	13	750 000	750 000
Finance lease liability	14	93 588	134 005
Trade and other payables	15	22 359 971	20 857 006
VAT payable	6	3 475 393	3 111 854
<b>Non-current liabilities</b>			
Borrowings	11	17 559 353	17 883 756
Consumer Deposits	12	516 848	486 260
Provisions	13	350 000	350 000
Finance lease liability	14	103 427	89 483
<b>Total liabilities</b>		<b>45 532 907</b>	<b>43 986 689</b>
<b>Net assets</b>		<b>234 641 834</b>	<b>237 257 181</b>
<b>NET ASSETS</b>			
Accumulated surplus / (deficit)		234 641 834	237 257 181
<b>Total net assets</b>		<b>234 641 834</b>	<b>237 257 181</b>

**KANNALAND LOCAL MUNICIPALITY**  
**ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010**

<b>STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2010</b>			
	<b>Note</b>	<b>2010 R</b>	<b>2009 R</b>
<b>Revenue</b>			
Property rates	16	6 116 975	6 634 956
Service charges	17	27 795 020	24 534 060
Finance Income	18	1 519 425	2 105 538
Government grants and subsidies	19	32 296 752	30 481 279
Rental of facilities and equipment	20	237 250	308 469
Agency fees		451 643	324 986
Fines		2 420 299	1 939 401
Other Revenue		3 055 077	908 022
<b>Total revenue</b>		<b>73 892 441</b>	<b>67 236 711</b>
<b>Expenses</b>			
Employee related costs	21	22 085 928	17 153 271
Remuneration of councillors	22	2 556 998	1 855 577
Depreciation and amortisation expense	23	8 762 522	8 593 857
Bad debts		4 648 739	8 863 355
Finance costs	24	1 420 042	1 598 592
Collection costs		16 075	15 108
Repairs and maintenance		2 544 419	1 755 446
Bulk purchases	25	16 226 543	13 207 345
Grants and subsidies paid	26	106 156	39 151
General expenses	27	17 408 185	14 374 383
<b>Total expenses</b>		<b>75 775 607</b>	<b>67 456 084</b>
Gain / (loss) on sale of assets	28	(652 873)	373 343
Profit / (loss) on fair value adjustment	29	-	186 308 218
<b>Surplus / (deficit) for the period</b>		<b>(2 536 038)</b>	<b>186 462 188</b>



**KANNALAND LOCAL MUNICIPALITY**  
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STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2010						
		Housing Development Fund	Government Grant Reserve	Total: Reserves	Accumulated Surplus/(Deficit)	Total: Net Assets
	Note	R	R	R	R	R
Balance at 30 June 2008		760 427	43 409 023	44 169 450	5 023 328	49 192 778
Correction of prior period error	32	(760 427)	(43 409 023)	(44 169 450)	45 771 665	1 602 215
Restated balance		-	-	-	50 794 993	50 794 993
Surplus / (deficit) for the period					186 462 188	186 462 188
Transfers to / from accumulated surplus/(deficit)					-	-
Balance at 30 June 2009		-	-	-	237 257 181	237 257 181
Surplus / (deficit) for the period					(2 536 038)	(2 536 038)
Appropriations for the year					(79 309)	(79 309)
Balance at 30 June 2010		-	-	-	234 641 834	234 641 834

KANNALAND MUNICIPALITY  
STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2009  
KANNALAND LOCAL MUNICIPALITY  
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

	Note	2010 R	2009 R
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash receipts from ratepayers, government and others		72 812 657	65 349 020
Cash paid to suppliers and employees		82 014 437	79 751 592
<b>Cash generated from / (utilized in) operations</b>	<b>30</b>	<b>9 201 780</b>	<b>14 402 572</b>
Interest received		1 519 425	2 105 538
Interest paid		(1 420 042)	(1 598 592)
<b>Net cash from operating activities</b>		<b>9 301 163</b>	<b>14 909 518</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment		(13 455 427)	(15 857 822)
(Increase)/decrease in non-current receivables		3 013	2 785
(Increase)/decrease in non-current investments		(329 916)	(290 328)
<b>Net cash used in investing activities</b>		<b>(13 782 330)</b>	<b>(16 145 365)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Increase/(decrease) in long term loans		(324 403)	(742 780)
Payment of finance lease liabilities		(26 472)	(72 941)
<b>Net cash used in financing activities</b>		<b>(350 875)</b>	<b>(815 721)</b>
<b>Increase/(decrease) in cash and cash equivalents</b>		<b>(4 832 042)</b>	<b>(2 051 568)</b>
Cash and cash equivalents at beginning of the year		8 053 410	10 104 979
Cash and cash equivalents at end of the year		3 221 425	8 053 410

**KANNALAND LOCAL MUNICIPALITY**  
**ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010**

**ACCOUNTING POLICIES**

**1 BASIS OF ACCOUNTING**

**1.1 BASIS OF PRESENTATION**

The Annual Financial Statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise.

These annual financial statements have been prepared in accordance with Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003).

The principal accounting policies adopted in the preparation of these annual financial statements are set out below.  
Assets, liabilities, revenues and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP.

The accounting policies applied are consistent with those used to present the previous year's financial statements, unless explicitly stated. The details of any changes in accounting policies are explained in the relevant policy.

**1.2 PRESENTATION CURRENCY**

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality.

**1.3 GOING CONCERN ASSUMPTION**

These annual financial statements have been prepared on the assumption that the municipality will continue to operate as a going concern for at least the next 12 months.

**1.4 COMPARATIVE INFORMATION**

Budget information in accordance with GRAP 1 and 24, has been provided in an annexure to these financial statements.

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated. The nature and reason for the reclassification is disclosed. Where accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

**1.5 STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE**

The following GRAP standards have been issued but are not yet effective and have not been early adopted by the municipality:

ISSUED BUT NOT YET EFFECTIVE	STANDARD APPLIED
GRAP 18 Segment Reporting	No applicable
GRAP 21 Impairment of non-cash-generating assets	IAS 36
GRAP 23 Revenue from Non-Exchange Transactions	GAMAP 9
GRAP 24 Presentation of Budget Information in Financial Statements - issued	Applied
GRAP 25 Employee Benefits	IAS 19
GRAP 26 Impairment of cash generating assets	IAS 36
GRAP 103 Heritage Assets	Not applicable

**1.6 PROPERTY, PLANT AND EQUIPMENT**

**1.6.1 INITIAL RECOGNITION**

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year. Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the initial estimate of the costs of dismantling and removing the asset and restoring the site on which it is located. Including import duties and non-refundable taxes.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.  
Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

Major spare parts and servicing equipment qualify as property, plant and equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

**1.6.2 SUBSEQUENT MEASUREMENT - REVALUATION MODEL (LAND AND BUILDINGS)**

Subsequent to initial recognition, land and buildings are carried at a revalued amount, being its fair value at the date of revaluation less any subsequent accumulated depreciation and impairment losses in respect of buildings only.

An increase in the carrying amount of an asset as a result of a revaluation is credited directly to a revaluation surplus reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

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**ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010**

**ACCOUNTING POLICIES**

**1.6 PROPERTY, PLANT AND EQUIPMENT (cont)**

A decrease in the carrying amount of an asset as a result of a revaluation is recognised in surplus or deficit, except to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

**1.6.3 SUBSEQUENT MEASUREMENT - COST MODEL**

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure incurred on an asset is capitalised when it increases the capacity or future economic benefits associated with the asset.

**1.6.4 DEPRECIATION AND IMPAIRMENT**

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The annual depreciation rates are based on the following estimated average asset lives:

<b>Infrastructure</b>			
Roads, pavements, bridges and storm water	€		30.00
Street names, signs and parking meters	€		5.00
Water reservoirs and reticulation		15 - 20	
Electricity reticulation		20 -30	
Sewerage purification and reticulation		15 - 20	
Housing	€		30.00
Refuse sites	€		15.00
<b>Community Assets</b>			
Parks and gardens		10 -30	
Sport fields		20 -30	
Community halls	€		30.00
Libraries	€		30.00
Recreation facilities		20 -30	
Clinics	€		30.00
Fire services	€		30.00
Cemeteries	€		30.00
<b>Other Assets</b>			
Motor vehicles	€		5.00
Plant and equipment		2 -15	
Security measures		3 -10	
Buildings	€		30.00
IT equipment		3 -5	
Office equipment		3 -7	
Specialised vehicles	€		10.00

The residual value, the useful life of an asset and the depreciation method is reviewed annually and any changes are recognised as a change in accounting estimate in the Statement of Financial Performance.

Heritage assets are assets that are defined as culturally significant resources and are not depreciated as they are regarded as having an infinite life which are shown at cost. However, if improvements to heritage assets are conducted and registered as sub-assets and the useful life of the improvements can be determined, the depreciation charge of the relevant property, plant and equipment category is used for the depreciation of the sub-asset which was capitalised against the heritage asset.

The municipality tests for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of property, plant and equipment is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance. (Impairment loss of a revalued asset is treated as a revaluation decrease).

**1.6.5 DERECOGNITION**

Items of Property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

The municipality has taken advantage of the transitional provisions in Directive 4 of February 2008, on initial adoption of the standard of GRAP on Property, Plant and Equipment, GRAP 17, to comply fully with this standard..

**1.7 INVENTORIES**

**1.7.1 INITIAL RECOGNITION**

Inventories comprise current assets held for sale, consumption or distribution during the ordinary course of business. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

Where inventory is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.

**KANNALAND LOCAL MUNICIPALITY**  
**ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010**

**ACCOUNTING POLICIES**

**1.7 INVENTORIES(cont)**

**1.7.2.SUBSEQUENT MEASUREMENT**

Inventories, consisting of consumable stores, raw materials, work-in-progress and finished goods, are valued at the lower of cost and net realisable value unless they are to be distributed at no or nominal charge, in which case they are measured at the lower of cost and current replacement cost. Redundant and slow-moving inventories are identified and written down in this way. Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arose. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

Unsold properties are valued at the lower of cost and net realisable value on a specific identification cost basis. Direct costs are accumulated for each separately identifiable development. Costs also include a proportion of overhead costs.

In general, the basis of allocating cost to inventory items is the first-in, first-out method OR the weighted average method.

The municipality has taken advantage of the transitional provisions in Directive 4 of February 2008, on initial adoption of the standard of GRAP on Inventory, GRAP 11, to comply fully with this standard..

**1.8 FINANCIAL INSTRUMENTS**

**1.8.1 INITIAL RECOGNITION**

Financial instruments are initially measured at fair value, plus, (in the case of financial instruments not at fair value through profit or loss), transaction costs. The fair value of a financial instrument that is initially recognised is normally the transaction price, unless the fair value is evident from the observable market data. The municipality uses a discounted cash flow model which incorporates entity-specific variables to determine the fair value of financial instruments that are not traded in an active market. Differences may arise between the fair value initially recognised in (which in accordance with IAS 39, is generally the transaction price) and the amount initially determined using the valuation technique. Any such differences are subsequently recognised in profit or loss only to the extent that they relate to a change in the factors (including time) that market participants would consider in setting the price.

**1.8.2 SUBSEQUENT MEASUREMENT**

**1.8.2.1 INVESTMENTS**

Financial Assets are categorised according to their nature as either financial assets at fair value through profit or loss, held-to maturity, loans and receivables, or available for sale. Financial liabilities are categorised as either at fair value through profit or loss or financial liabilities carried at amortised cost ("other"). The subsequent measurement of financial assets and liabilities depends on this categorisation and, in the absence of an approved GRAP Standard on Financial Instruments, is in accordance with IAS 39.

The Entity classifies its financial assets into the following categories:

- held-to-maturity;
- loans and receivables;
- available-for-sale; and
- fair value through profit and loss.

The classification depends on the purpose for which the financial asset is acquired, and is as follows:

- Held-to-maturity investments are financial assets with fixed or determinable payments and fixed maturity, where the Entity has the positive intent and ability to hold the investment to maturity. They are subsequently measured at amortised cost, using the effective interest rate method. Any adjustment is recorded in the Statement of Financial Performance in the period in which it arises.
- Loans and receivables are financial assets that are created by providing money, goods or services directly to a debtor. They are subsequently measured at amortised cost, using the effective interest rate method. Any adjustment is recorded in the Statement of Financial Performance in the period in which it arises.
- Available-for-sale financial assets are financial assets that are designated as available for sale, and are subsequently measured at fair value at Statement of Financial Position date, except for investments in equity instruments that do not have quoted market prices in an active market, and whose fair value cannot be reliably measured, which shall be measured at cost. Any adjustment is recorded in the Statement of Changes in Net Assets in the period in which it arises. When these investments are derecognised, the cumulative gain or loss previously recognised directly in equity is recognised in profit or loss. The fair value of financial instruments classified as available-for-sale is their quoted bid price at the Statement of Financial Position date.
- Fair value through profit and loss financial assets include derivative financial instruments used by the Entity to manage its exposure to fluctuations in interest rates attached to certain of its external borrowings interest swap agreements. Any fair value adjustment is recorded in the Statement of Financial Performance in the period in which it arises. To the extent that a derivative instrument has a maturity period of longer than a year, the fair value of these instruments will be reflected as a non-current asset or liability, and is subsequently measured at fair value at Statement of Financial Position date.

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discount) through the expected life of the financial asset, or, where appropriate a shorter period.

**KANNALAND LOCAL MUNICIPALITY**  
**ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010**

**ACCOUNTING POLICIES**

**1.8 FINANCIAL INSTRUMENTS (cont)**

**1.8.2.2 TRADE AND OTHER RECEIVABLES**

Trade and other receivables are categorised as financial assets: loans and receivables and are initially recognised at fair value and subsequently carried at amortised cost. Amortised cost refers to the initial carrying amount, plus interest, less repayments and impairments. An estimate is made for doubtful receivables based on a review of all outstanding amounts at year-end. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. Impairments are determined by discounting expected future cash flows to their present value. Amounts that are receivable within 12 months from the reporting date are classified as current.

**1.8.2.3 TRADE PAYABLES AND BORROWINGS**

Financial liabilities consist of trade payables and borrowings. They are categorised as financial liabilities held at amortised cost, are initially recognised at fair value and subsequently measured at amortised cost which is the initial carrying amount, less repayments, plus interest.

**1.8.2.4 CASH AND CASH EQUIVALENTS**

Cash includes cash on hand (including petty cash) and cash with banks (including call deposits). Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash, that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks, net of bank overdrafts. The municipality categorises cash and cash equivalents as financial assets: loans and receivables.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred. Amounts owing in respect of bank overdrafts are categorised as financial liabilities: other financial liabilities carried at amortised cost.

**1.8.3 IMPAIRMENT**

• An assessment is performed at each Statement of Financial Position date to determine whether objective evidence exists that a financial asset is impaired. The carrying amounts of cash investments are reduced to recognise any decline, other than a temporary decline, in the value of individual investments. This reduction in carrying value is recognised in the Statement of Financial Performance.

Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified. Impairments are calculated as being the difference between the carrying amount and the present value of the expected future cash flows flowing from the instrument. On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the Statement of Financial Performance.

An impairment of trade receivables is accounted for by reducing the carrying amount of trade receivables through the use of an allowance account, and the amount of the loss is recognised in the Statement of Financial Performance within operating expenses. When a trade receivable is uncollectible, it is written off. Subsequent recoveries of amounts previously written off are credited against operating expenses in the Statement of Financial Performance.

**1.9 PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS**

Provisions are recognised when the municipality has a present obligation (legal or constructive) as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Where the effect is material, non-current provisions are discounted to their present value using a pre-tax discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability (for example in the case of obligations for the rehabilitation of land).

The municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is disclosed where an inflow of economic benefits is probable.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

A provision for restructuring costs is recognised only when the following criteria over and above the recognition criteria of a provision have been met:

(a) The municipality has a detailed formal plan for the restructuring identifying at least:

- the business or part of a business concerned;
- the location, function, and approximate number of employees who will be compensated for terminating their services;
- the expenditures that will be undertaken; and
- when the plan will be implemented; and

(b) The municipality has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

**KANNALAND LOCAL MUNICIPALITY**  
**ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010**

**ACCOUNTING POLICIES**

**1.10 LEASES**

**1.14.1 MUNICIPALITY AS LESSEE**

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipality. Property, plant and equipment or intangible assets subject to finance lease agreements are initially recognised at the lower of the asset's fair value and the present value of the minimum lease payments. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant, equipment or intangibles. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to derecognition of financial instruments are applied to lease payables. The lease asset is depreciated over the shorter of the asset's useful life or the lease term.

Operating leases are those leases that do not fall within the scope of the above definition. The aggregate benefit of incentives of Operating lease are recognised as a reduction of rental expense on a straight-line basis over the term of the relevant lease.

**1.11 REVENUE**

Revenue shall be measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates, VAT and other similar allowances.

**1.11.1 REVENUE FROM EXCHANGE TRANSACTIONS**

Revenue from exchange transactions refers to revenue that accrued to the municipality directly in return for services rendered / goods sold, the value of which approximates the consideration received or receivable.

**Service charges**

Flat rate service charges relating to electricity and water which are based on consumption are metered and an estimate of consumption between the latest meter reading and the reporting date shall be recognised when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- The amount of the revenue can be measured reliably.

Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumptions are made monthly when meter readings have not been performed and are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made then recognised in the statement of financial performance in the invoicing period in which meters have been read.

Revenue from the sale of electricity prepaid meter credit is recognised at the point of sale.

In respect of estimates of consumption between the last reading date and the reporting date, an accrual is made based on based on the average monthly consumption of consumers.

Service charges relating to refuse removal are recognised on a monthly basis by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage and are levied monthly based on the number of refuse containers on each property, regardless of whether or not containers are emptied during the month.

Service charges from sewerage and sanitation are based on the size of the property, number of dwelling on each property and connection, using the tariffs approved by Council and are levied monthly.

**Sale of goods**

Revenue from the sale of goods is recognised when substantially all the risks and rewards of ownership of the goods is passed to the consumer.

Revenue from the sale of erven is recognised when all conditions associated with the deed of sale have been met.

**Interest, royalties and dividends**

Interest shall be recognised on a time proportionate basis that takes into account the effective yield on the asset;

Royalties are recognised as they are earned on a time basis is recognised on a straight-line basis over the period of the agreement. Royalty revenue that is based on production, sales and other measures is recognised in accordance with the substance of the relevant agreement; and

Dividends are recognised on the date that the Municipality becomes entitled to receive the dividend.

**Agency Services**

Income for agency services is recognised on a monthly basis once the income collected on behalf of agents has been quantified.

The income recognised is in terms of the agency agreement.

The revenue is limited to the amount of any fee or commission payable to the municipality as compensation for executing the agreed services.

Collection charges are recognised when such amounts are incurred.

**KANNALAND LOCAL MUNICIPALITY**  
**ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010**

**ACCOUNTING POLICIES**

**1.11 REVENUE(cont)**

**1.11.2 REVENUE FROM NON-EXCHANGE TRANSACTIONS**

Revenue from non-exchange transactions refers to transactions where the municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

**Rates (including collection charges and penalty interest)**

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportionate basis.

Rebates are respectively granted, to owners of land on which not more than two dwelling units are erected provided that such dwelling units are solely used for residential purposes. Additional relief is granted to needy, aged and/or disabled owners, based on income.

Assessment rates income is recognised once a rates account has been issued to ratepayers. Adjustments or interim rates are recognised once the municipal valuer has valued the change to properties.

**Fines**

Fines constitute both spot fines and summonses. Revenue from spot fines and summonses is recognised when payment is received, together with an estimate of spot fines and summonses that will be received based on past experience of amounts collected.

**Public donations and contributions**

Revenue from public contributions and donations is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment qualifies for recognition and first becomes available for use by the municipality. Where public contributions have been received but the municipality has not met the related conditions, a deferred income (liability) is recognised.

Deferred income relating to government grants are recognised on the following bases:

- Capital contributions to property, plant and equipment: Credited on a systematic basis to the Statement of financial Performance based on the estimated useful life of the plant and equipment.
- Income-related grants subsidising expenses: Credited to the Statement of Financial Performance as revenue when the related expense is recognised

Contributed property, plant and equipment is recognised at fair value, when such items of property, plant and equipment qualifies for recognition and become available for use by the municipality.

**Other**

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No.56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

**1.11.3 GOVERNMENT GRANTS, TRANSFERS AND DONATIONS**

Government Grants can be in the form of grants to acquire or construct fixed assets (capital grants), grants for the furtherance of national and provincial government policy objectives and general grants to subsidise the cost incurred by municipalities rendering services.

Capital grants and general grants for the furtherance of government policy objectives are usually restricted revenue in that stipulations are imposed in their use.

Conditional grants, donations and funding were recognised as revenue in the Statement of Financial Performance to the extent that the Municipality has complied with any criteria, conditions or obligations embodied in the agreement/arrangement. To the extent that the criteria, conditions and obligations have not been met a liability is raised in the Statement of Financial Position. Unconditional grants, donations and funding are recognised as revenue in the Statement of Financial Performance at the earlier of the date of receipt or when the amount is receivable.

Contributed assets are recognised at fair value when the risks and rewards associated with such asset transfer to the Municipality.

**1.12 BORROWING COSTS**

Borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets are capitalised to the cost of that asset unless it is inappropriate to do so. The municipality ceases the capitalisation of borrowing costs when substantially all the activities to prepare the asset for its intended use or sale are complete. It is considered inappropriate to capitalise borrowing costs where the link between the funds borrowed and the capital asset acquired cannot be adequately established.

Borrowing costs incurred other than on qualifying assets are recognised as an expense in surplus or deficit when incurred.



**KANNALAND LOCAL MUNICIPALITY**  
**ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010**

**ACCOUNTING POLICIES**

**1.13 EMPLOYEE BENEFITS**

**1.13.1 Short-term employee benefits**

The cost of short-term employee benefits, which include salaries and wages, short-term compensated absences, non-monetary benefits such as medical aid and performance plans, are expensed in the Statement of Financial Performance in the financial year during which the payment is made.

Liabilities for short-term employee benefits that are unpaid at year-end are measured at the undiscounted amount that the municipality expected to pay in exchange for that service that had accumulated at the reporting date.

**1.13.2 Termination Benefits**

Termination benefits are recognised when actions have been taken to indicate that the municipality is demonstrably committed to either terminate the employment of an employee or group of employees before the normal retirement date; or provide termination benefits as a result of an offer made in order to encourage voluntary redundancy.

**1.13.3 Retirement benefits**

The municipality provides retirement benefits for its employees and councillors.

Contributions to defined contribution retirement benefit plans are recognised as an expense when employees and councillors have rendered the employment service or served office entitling them to the contributions.

**Defined contribution plans**

A defined contribution plan is a post-employment benefit plan under which the municipality pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an employee benefit expense in the statement of financial performance when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

**Defined benefit plans**

Defined benefit plans are post-employment benefit plans other than Defined Contribution plans. The defined benefit plans are valued triennially by means of the projected unit credit method. Deficits identified are recovered through lump sum payments or increased future contributions on a proportional basis to all participating municipalities. The contributions and lump sum payments are charged against income in the year in which they become payable.

Past service costs are recognised immediately where the benefit is vested or are amortised on a straight-line basis over the average period that it will take for such benefits to become vested.

The retirement benefit obligations recognised in the Statement of Financial Position represents the present value of the defined benefit obligation, adjusted for unrecognised actuarial gains and losses, unrecognised service cost and the fair value of plan assets. Where an asset results, such asset is limited to unrecognised actuarial losses, past service costs and the present value of available refunds and reductions in future contributions to the plan.

**Post employment medical care benefits**

The municipality provides post employment medical care benefits to its employees and their legitimate spouses. The entitlement to post-retirement medical benefits is based on employees remaining in service up to retirement age and the completion of a minimum service period. The expected cost, of these benefits is accrued over the period of employment.

**1.14 UNAUTHORISED EXPENDITURE**

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No.56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

**1.15 IRREGULAR EXPENDITURE**

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the Municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

**1.16 FRUITLESS AND WASTEFUL EXPENDITURE**

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

**1.17 VALUE ADDED TAX (VAT)**

The municipality accounts for Value Added Tax on the payments basis

**KANNALAND LOCAL MUNICIPALITY**  
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**NOTES TO THE FINANCIAL STATEMENTS**

	<b>2010</b>	<b>2009</b>
	<b>R</b>	<b>R</b>
<b>2 INVENTORIES</b>		
Consumable stores - at cost	<b>490 617</b>	<b>109 860</b>

	Gross Balances)	Impaired debtors written off )	Net Balance)
	R'000)	R'000)	R'000)
<b>3 CONSUMER AND OTHER RECEIVABLES</b>			
<b><u>Consumer Debtors</u></b>			
<b>2010</b>			
Rates	9 732 011	8 912 980	819 031
Electricity	2 273 905	1 087 979	1 185 926
Water	2 540 855	2 226 214	314 640
Sewerage	13 381 212	13 047 166	334 046
Refuse removal	10 868 451	10 774 809	93 642
Sundries	662 912	455 696	207 216
Housing rentals	100 365	78 027	22 338
<b>Total</b>	<b>39 559 710</b>	<b>36 582 871</b>	<b>2 976 840</b>
<b>2009</b>			
Rates	10 556 854	10 021 159	535 695
Electricity	2 857 136	1 406 689	1 450 447
Water	1 903 499	779 819	1 123 680
Sewerage	10 856 962	10 734 192	122 770
Refuse removal	8 612 411	8 512 651	99 760
Sundries	598 705	479 621	119 085
Housing rentals	111 505	-	111 505
<b>Total</b>	<b>35 497 073</b>	<b>31 934 132</b>	<b>3 562 941</b>

**Rates: Ageing**

Current (0 – 30 days)	55 373	303 810
31 - 60 Days	243 553	126 071
61 - 90 Days	219 733	101 092
91 - 120 Days	205 531	90 868
121 - 365 Days	8 767 059	8 957 857
<b>Total</b>	<b>9 491 248</b>	<b>9 579 698</b>

**Electricity, Refuse, Water and Sewerage: Ageing**

Current (0 – 30 days)	2 095 415	2 636 904
31 - 60 Days	657 646	517 062
61 - 90 Days	568 682	427 269
91 - 120 Days	591 260	384 694
121 - 365 Days	26 155 460	21 951 446
<b>Total</b>	<b>30 068 463</b>	<b>25 917 375</b>

**KANNALAND LOCAL MUNICIPALITY**  
**ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010**

**NOTES TO THE FINANCIAL STATEMENTS**

	<b>2010</b>	<b>2009</b>
	<b>R</b>	<b>R</b>
<b>3 CONSUMER AND OTHER RECEIVABLES(cont)</b>		
<b><u>Summary of Debtors by Customer Classification</u></b>		
	<b>Consumers)</b>	<b>Industrial / Commercial)</b>
	<b>R'000)</b>	<b>R'000)</b>
		<b>National and Provincial Government) R'000)</b>
<b>2010</b>		
Current (0 – 30 days)	1 406 568	57 584
31 - 60 Days	880 412	6 248
61 - 90 Days	768 336	5 597
91 - 120 Days	776 709	5 717
121 - 365 Days	34 968 097	126 540
		(5 664)
		14 538
		14 482
		14 364
		520 182
<b>Total debtors by customer classification</b>	<b>38 800 122</b>	<b>201 686</b>
		<b>557 902</b>
<b>2009</b>		
Current (0 – 30 days)	1 422 107	1 578 184
31 - 60 Days	564 801	39 207
61 - 90 Days	508 840	18 171
91 - 120 Days	466 262	8 596
121 - 365 Days	29 581 497	133 851
		(59 520)
		39 126
		1 350
		704
		1 193 897
<b>Total debtors by customer classification</b>	<b>32 543 507</b>	<b>1 778 009</b>
		<b>1 175 557</b>
<b><u>Reconciliation of the impairment provision</u></b>		
Balance at beginning of the year	31 934 132	23 042 475
Contributions to provision	4 648 739	8 891 657
Impaired debtors written of against provision	-	-
Reversal of provision	-	-
<b>Balance at end of year</b>	<b>36 582 871</b>	<b>31 934 132</b>
<b>4 OTHER RECEIVABLES</b>		
Fuel Deposit	30 000	50 000
Grants and Subsidies	940 248	2 683 156
VAT Saving on Grant	1 897 502	-
Other debtors	133 101	118 695
Short-term portion of long term receivables	3 259	2 786
	<b>3 004 109</b>	<b>2 854 636</b>
<b>Provision for Impairment</b>	<b>(43 290)</b>	<b>(43 290)</b>
	<b>2 960 819</b>	<b>2 811 346</b>

**KANNALAND LOCAL MUNICIPALITY**  
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**NOTES TO THE FINANCIAL STATEMENTS**

	<b>2010</b>	<b>2009</b>
	<b>R</b>	<b>R</b>
<b>5 OTHER NON-CURRENT ASSETS</b>		
Loans to Sport Clubs	17 377	19 917
<b>Less : Current portion transferred to current receivables</b>	<b>(3 259)</b>	<b>(2 786)</b>
	<b>14 118</b>	<b>17 131</b>

The loan to the Ladismith Golf Club will be redeemed over a periode of 20 years at a interest rate of 8 % and will be redeemed in December 2014

**6 VAT PROVISION**

VAT Provision - Debtors/Creditors

<b>3 475 393</b>	<b>3 111 854</b>
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VAT is payable on the receipts basis. VAT is paid over to SARS only once payment is received from debtors.

**7 VAT RECEIVABLE**

VAT Payable

<b>697 615</b>	<b>1 245 767</b>
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VAT is payable on the receipts basis. VAT is paid over to SARS only once payment is received from debtors.

**8 CASH AND CASH EQUIVALENTS**

Cash and cash equivalents consist of the following:

Cash at bank	708 450	3 231 974
Call Investments	2 510 225	4 819 437
Cash on hand	2 750	2 000
	<b>3 221 425</b>	<b>8 053 410</b>

The Municipality has the following bank accounts: -

**Current Account (Primary Bank Account)**

**Current Account (Primary Bank Account)**

Account Number 112 000 001 9 ( ABSA)

Cash book balance at end of year	322 068	1 395 180
Bank statement balance at beginning of year	471 029	414 428
Bank statement balance at end of year	154 384	471 029

**KANNALAND LOCAL MUNICIPALITY**  
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**NOTES TO THE FINANCIAL STATEMENTS**

	<u>2010</u>	<u>2009</u>
	R	R
<b>8 CASH AND CASH EQUIVALENTS (cont)</b>		
<b><u>Current Account - Other</u></b>		
Account Number 621-6355-4580 ( FNB)		
Cash book balance at end of year	386 382	1 836 793
Bank statement balance at beginning of year	1 836 793	1 552 853
Bank statement balance at end of year	386 382	1 836 793
<b><u>Short Term Call Accounts</u></b>		
<b><u>Call Account</u></b>		
Account Number 527 827 302 31 (FNB)		
Bank statement balance at beginning of year	1 204 777	458 612
Bank statement balance at end of year	1 084 846	1 204 777
<b><u>Call Account</u></b>		
Account Number 9117177062 (ABSA)		
Bank statement balance at beginning of year	3 614 660	9 581 430
Bank statement balance at end of year	1 425 379	3 614 660
<b><u>Cash on hand</u></b>	2 750	2 000
Total cash and cash equivalents	<u>3 221 425</u>	<u>8 053 410</u>

Call investment deposits are investments with a maturity period of less than 3 months and earn interest rates varying from day to day.

Management of the municipality is of the opinion that the carrying value of the Bank Balance and Cash recorded at amortised cost in the financial statements approximate their fair values.

The fair value of Bank Balance and Cash were determined after considering the standard terms and conditions of agreements entered into between the municipality and financial institutions.

**KANNALAND LOCAL MUNICIPALITY**  
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

**NOTES TO THE FINANCIAL STATEMENTS**

**9 PROPERTY, PLANT AND EQUIPMENT**

**OWNED ASSETS:**

	Municipal Property	Infrastructure	Community	Other Assets	Total
	R	R	R	R	R
<b>9.1 Reconciliation of Carrying Value 30 June 2010</b>					
<b>Carrying values at beginning of the year</b>	<b>11 850 384</b>	<b>235 807 746</b>	<b>9 395 840</b>	<b>5 969 923</b>	<b>263 023 893</b>
Cost/Revaluation	12 314 609	241 868 223	9 915 259	8 579 582	272 677 673
Accumulated depreciation and impairment losses	(464 225)	(6 060 478)	(519 419)	(2 609 659)	(9 653 780)
Acquisitions	-	4 468 547	77 500	582 045	5 128 092
Capital under Construction	-	8 327 335	-	-	8 327 335
Depreciation	(464 225)	(6 572 701)	(522 635)	(1 202 960)	(8 762 522)
Carrying value of disposals	-	(589 926)	-	(63 004)	(652 930)
Cost/Revaluation	-	(619 117)	-	(112 758)	(731 875)
Accumulated depreciation and impairment losses	-	29 191	-	49 754	78 945
Impairment loss/Reversal of impairment loss	-	-	-	-	-
Transfers	-	-	-	-	-
Other movements*	-	-	-	-	-
<b>Carrying values at the end of the year</b>	<b>11 386 159</b>	<b>241 441 000</b>	<b>8 950 705</b>	<b>5 286 004</b>	<b>267 063 869</b>
Cost/Revaluation	12 314 609	254 044 989	9 992 759	9 048 868	285 401 225
Accumulated depreciation and impairment losses	(928 450)	(12 603 988)	(1 042 054)	(3 762 864)	(18 337 357)

Refer to Appendix B for more detail on property, plant and equipment

	Municipal Property	Infrastructure	Community	Other Assets	Total
	R	R	R	R	R
<b>9.2 Reconciliation of Carrying Value 30 June 2009</b>					
<b>Carrying values at beginning of the year - 2008</b>	<b>12 069 400</b>	<b>231 143 042</b>	<b>9 860 280</b>	<b>3 027 044</b>	<b>256 099 765</b>
Cost/Revaluation	13 152 693	79 006 520	-	4 867 048	97 026 261
Correction of error (note 32)	(1 083 293)	152 136 522	9 860 280	74 587	160 988 096
Accumulated depreciation and impairment losses	(1 637 674)	(27 153 971)	-	(1 903 857)	(30 695 502)
Correction of error (note 32)	1 637 674	27 153 971	-	(10 734)	28 780 911
Acquisitions	245 209	3 577 711	54 979	4 832 452	8 710 352
Fair Value Adjustment	-	-	-	-	-
Capital under Construction	-	7 147 471	-	-	7 147 471
Depreciation	(464 225)	(6 060 478)	(519 419)	(1 549 736)	(8 593 857)
Depreciation - Fair Value Adjustments	-	-	-	-	-
Carrying value of disposals	-	-	-	(339 837)	(339 837)
Cost/Revaluation	-	-	-	(1 194 506)	(1 194 506)
Accumulated depreciation and impairment losses	-	-	-	854 669	854 669
Impairment loss/Reversal of impairment loss	-	-	-	-	-
Transfers	-	-	-	-	-
*Other movements	-	-	-	-	-
<b>Carrying values at the end of the year</b>	<b>11 850 384</b>	<b>235 807 746</b>	<b>9 395 840</b>	<b>5 969 923</b>	<b>263 023 893</b>
Cost/Revaluation	12 314 609	241 868 223	9 915 259	8 579 582	272 677 673
Accumulated depreciation and impairment losses	(464 225)	(6 060 478)	(519 419)	(2 609 659)	(9 653 780)

Refer to Appendix B for more detail on property, plant and equipment

**KANNALAND LOCAL MUNICIPALITY**  
**ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010**

**NOTES TO THE FINANCIAL STATEMENTS**

	<b>2010</b>	<b>2009</b>
	<b>R</b>	<b>R</b>
<b>10 INVESTMENTS</b>		
<b><u>Held to maturity Investments</u></b>		
Rand Merchant Bank	<b>2 749 438</b>	<b>2 419 522</b>
A fixed deposit amounting to Rxxx has been invested with xxx Bank as security for the lease of a sewerage purification plant.		
<b>11 BORROWINGS</b>		
Annuity Loans	10 931 223	11 255 626
Annuity Loans - Restructured Loan	6 952 457	6 952 457
	<b>17 883 680</b>	<b>18 208 083</b>
Less : Current portion transferred to current liabilities	324 327	324 327
<b>Total borrowings</b>	<b>17 559 353</b>	<b>17 883 756</b>
Annuity Loans are repaid over periods varying from one to fifteen years and at interest rates varying from 11.55 % to 12.5% per annum. Annuity Loans are not secured.		
Fixed Deposit of R2 749 438 (2009: R 2 419 522) has been pledged to DBSA as guarantees on external loans taken up. (See notes 8)		
Management of the municipality is of the opinion that the carrying value of Long-Term Liabilities recorded at amortised cost in the financial statements approximate their fair values.		
The fair value of Long- Term Liabilities were determined after considering the standard terms and conditions of agreements entered into between the municipality and the relevant financing institutions.		
<b>11.1 Breach of loan agreement</b>		
The municipality has contravened section 138(A) of the MFMA as instalment payments on DBSA has not been paid for an extended period. The loan was been rescheduled to be redeemed in 15 years at 12.50 % fixed interest with the first instalment to be paid on 31 May 2008.		
The municipality entered into an agreement with DBSA that if the municipality would be able to service its loans timeously during the next three financial years, then a loan of R6 952 457 will be written off by the bank.		
<b>12 CONSUMER DEPOSITS</b>		
<b>CURRENT</b>		
Electricity and Water	516 848	486 260
<b>Total consumer deposits</b>	<b>516 848</b>	<b>486 260</b>
<b>13 PROVISIONS</b>		
<b>13.1 NON-CURRENT PROVISIONS</b>		
Provision for rehabilitation of landfill sites	1 100 000	1 100 000
<b>Total Non-Current Provisions</b>	<b>1 100 000</b>	<b>1 100 000</b>
The provision for rehabilitation of landfill sites relates to the legal obligation to rehabilitate landfill sites used for waste disposal.		
In terms of the licencing of the landfill refuse site, council will incur rehabilitation costs of R1.0 million to restore the site at the end of its useful life.		

**KANNALAND LOCAL MUNICIPALITY**  
**ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010**

**NOTES TO THE FINANCIAL STATEMENTS**

	<b>2010</b>	<b>2009</b>
	<b>R</b>	<b>R</b>
<b>13.2 NON-CURRENT PROVISIONS(cont)</b>		
The movement in the non-current provision is reconciled as follows: -		
Provision for rehabilitation of landfill sites:		
<b>Balance at the beginning of year</b>	1 100 000	1 432 000
Contributions to provision	-	(332 000)
Transfer to current provisions	(750 000)	(750 000)
<b>Balance at the end of year</b>	<b>350 000</b>	<b>350 000</b>

**13.3 CURRENT PROVISION**

Landfill rehabilitation	750 000	750 000
<b>Total Provisions</b>	<b>750 000</b>	<b>750 000</b>

Performance bonuses are paid one year in arrear as the assessment of eligible employees had not taken place at the reporting date and no present obligation exist.

The balance of the performance bonus provisions relate to amounts not yet paid to certain employees due to disputes over the assessment process. Also see note 54.

*Other disclosure*  
*(Provide details of the techniques and assumptions used in estimating the provisions)*

**14 FINANCE LEASE LIABILITY**

<b>2010</b>	<b>Minimum lease payment R'000</b>	<b>Future finance charges R'000</b>	<b>Present value of minimum lease payments R'000</b>
<b>Amounts payable under finance leases</b>			
Within one year	140 371	46 783	93 588
Within two to five years	142 080	38 652	103 427
	<b>282 451</b>	<b>85 436</b>	<b>197 015</b>

Less: Amount due for settlement within 12 months (current portion)			(93 588)
			<b>103 427</b>

<b>2009</b>	<b>Minimum lease payment R'000</b>	<b>Future finance charges R'000</b>	<b>Present value of minimum lease payments R'000</b>
<b>Amounts payable under finance leases</b>			
Within one year	162 414	28 471	133 943
Within two to five years	100 605	11 061	89 544
	<b>263 019</b>	<b>39 531</b>	<b>223 487</b>

Less: Amount due for settlement within 12 months (current portion)			(134 005)
			<b>89 483</b>

The average lease term is 3 years and the average effective borrowing rate is 14.5%. Interest rates are fixed at the contract date. Some leases have fixed repayment terms and other escalate between 10% and 15% per annum. No arrangements have been entered into for contingent rent. Obligations under finance leases are secured by the lessor's title to the leased asset.

**15 TRADE AND OTHER PAYABLES**

Trade creditors	2 822 524	4 429 783
Payments received in advance	882 241	549 659
Retentions	415 335	405 730
Staff leave accrual	1 642 797	871 919
Provision for Staff Bonus - 13th Cheque	398 544	-
Other creditors	1 594 394	1 917 065
Unspent Conditional Grants	12 249 239	10 326 458
SARS Liability	2 354 896	2 356 392
<b>Total creditors</b>	<b>22 359 971</b>	<b>20 857 006</b>



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**NOTES TO THE FINANCIAL STATEMENTS**

	<b>2010</b>	<b>2009</b>
	<b>R</b>	<b>R</b>
<b>16 PROPERTY RATES</b>		
<u>Actual</u>		
Residential	10 164 403	7 441 367
Commercial	637 451	1 261 313
State	1 710 148	774 651
Municipal	401 209	505 380
<b>Total property rates</b>	<b>12 913 211</b>	<b>9 982 711</b>
Less: Income Forgone	(6 796 235)	(3 347 755)
<b>Total</b>	<b>6 116 975</b>	<b>6 634 956</b>
<u>Valuations</u>	<b>R '000</b>	<b>R '000</b>
Residential	1 372 268	295 638
Commercial	203 589	30 661
State	75 887	49 923
Municipal	47 763	20 003
<b>Total Property Valuations</b>	<b>1 699 507</b>	<b>396 225</b>
Valuations on land and buildings are performed every four years. The last valuation came into effect on 1 July 2009. Interim valuations are processed on a quarterly basis to take into account changes in individual property values due to alterations.		
<b>17 SERVICE CHARGES</b>		
Sale of electricity	17 783 907	15 576 834
Sale of water	3 598 441	3 682 080
Refuse removal	2 877 575	2 432 201
Sewerage and sanitation charges	3 535 096	2 842 945
<b>Total Service Charges</b>	<b>27 795 020</b>	<b>24 534 060</b>
<b>18 FINANCE INCOME</b>		
Cash and cash equivalent	899 020	1 265 118
Outstanding consumer debtors	620 405	840 421
Discounting	-	-
<b>Total interest</b>	<b>1 519 425</b>	<b>2 105 538</b>
<b>19 GOVERNMENT GRANTS AND SUBSIDIES</b>		
<b>Capital Grants</b>		
Equitable share	11 942 509	9 925 473
FMG Grant	1 091 826	1 149 143
MIG Grant	-	1 205 253
National Recovery Plan	1 530 140	4 722 931
National Projects	11 039 764	9 971 045
Provincial projects other	6 335 176	3 411 254
Other	357 337	96 180
<b>Total Government Grant and Subsidies</b>	<b>32 296 752</b>	<b>30 481 279</b>
<b>19.1 Equitable Share</b>		
In terms of the Constitution, this grant is used to subsidise the provision of basic services to the community. All registered indigents receive a monthly subsidy towards the cost of basic services, which is funded from this grant.		
<b>19.2 Financial Management Grant</b>		
<b>Balance unspent at beginning of year</b>	(278 440)	620 703
Current year receipts	1 000 000	250 000
Conditions met - transferred to revenue	(1 091 826)	(1 149 143)
<b>Conditions still to be met (Spent not yet received)</b>	<b>(370 266)</b>	<b>(278 440)</b>

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	2010	2009
	R	R
<b>19 GOVERNMENT GRANTS AND SUBSIDIES(cont)</b>		
<b>19.3 MIG Grant</b>		
Balance unspent at beginning of year	1 255 152	2 460 405
Current year receipts	-	-
Conditions met - transferred to revenue	-	(1 205 253)
<b>Conditions still to be met (Spent not yet received)</b>	<b>1 255 152</b>	<b>1 255 152</b>
<b>19.4 Provincial : Valuation</b>		
Balance unspent at beginning of year	396 986	1 426 039
Current year receipts	457 156	-
Conditions met - transferred to revenue	(857 091)	(1 029 053)
<b>Conditions still to be met (Spent not yet received)</b>	<b>(2 950)</b>	<b>396 986</b>
<b>19.5 National: Recovery Plan - DBSA</b>		
Balance unspent at beginning of year	674 205	547 070
Current year receipts	-	325 825
Conditions met - transferred to revenue	(14 850)	(198 689)
<b>Conditions still to be met (Spent not yet received)</b>	<b>659 355</b>	<b>674 205</b>
<b>19.6 National: Recovery Plan -MSP</b>		
Balance unspent at beginning of year	-	1 245 064
Current year receipts	-	1 500 000
Conditions met - transferred to revenue	-	(3 228 324)
Provision fo Impairment	-	483 260
<b>Conditions still to be met (Spent not yet received)</b>	<b>-</b>	<b>-</b>
<b>19.7 National: Recovery Plan -DPLG</b>		
Balance unspent at beginning of year	(196 471)	364 447
Current year receipts	1 820 000	735 000
Conditions met - transferred to revenue	(1 515 290)	(1 295 918)
<b>Conditions still to be met (Spent not yet received)</b>	<b>108 239</b>	<b>(196 471)</b>
<b>19.8 Provincial: Electricity / Water Meters</b>		
Balance unspent at beginning of year	88 994	371 669
Current year receipts	-	-
Conditions met - transferred to revenue	-	(282 674)
<b>Conditions still to be met (Spent not yet received)</b>	<b>88 994</b>	<b>88 994</b>
<b>19.9 Provincial : Calitzdorp Housing</b>		
Balance unspent at beginning of year	710 352	61 033
Current year receipts	-	649 319
Conditions met - transferred to revenue	(743 143)	-
<b>Conditions still to be met (Spent not yet received)</b>	<b>(32 791)</b>	<b>710 352</b>
<b>19.10 Provincial : Dried Fruit Van Wyksdorp</b>		
Balance unspent at beginning of year	28 833	75 782
Current year receipts	-	-
Conditions met - transferred to revenue	(28 833)	(46 948)
<b>Conditions still to be met (Spent not yet received)</b>	<b>-</b>	<b>28 833</b>
<b>19.11 Provincial : Greening Ladismith</b>		
Balance unspent at beginning of year	629	629
Current year receipts	-	-
Conditions met - transferred to revenue	-	-
<b>Conditions still to be met (Spent not yet received)</b>	<b>629</b>	<b>629</b>
<b>19.12 Provincial: Greening Zoar</b>		
Balance unspent at beginning of year	21 107	72 293
Current year receipts	-	-
Conditions met - transferred to revenue	-	(51 186)
<b>Conditions still to be met (Spent not yet received)</b>	<b>21 107</b>	<b>21 107</b>

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	2010	2009
	R	R
<b>19 GOVERNMENT GRANTS AND SUBSIDIES(cont)</b>		
<b>19.13 Provincial : Water Meters Zoar</b>		
Balance unspent at beginning of year	325 028	468 931
Current year receipts	-	-
Conditions met - transferred to revenue	-	(143 903)
Conditions still to be met (Spent not yet received)	<u>325 028</u>	<u>325 028</u>
<b>19.14 Provincial : Housing LDS</b>		
Balance unspent at beginning of year	66 112	66 112
Current year receipts	-	-
Conditions met - transferred to revenue	-	-
Conditions still to be met (Spent not yet received)	<u>66 112</u>	<u>66 112</u>
<b>19.15 Provincial: General Drought Relief</b>		
Balance unspent at beginning of year	592 688	201 982
Current year receipts	-	2 100 000
Conditions met - transferred to revenue	(138 571)	(1 709 294)
Conditions still to be met (Spent not yet received)	<u>454 116</u>	<u>592 688</u>
<b>19.16 Provincial: Swimming Pool Calitzdorp</b>		
Balance unspent at beginning of year	(32 880)	-
Current year receipts	-	-
Conditions met - transferred to revenue	-	(32 880)
Conditions still to be met (Spent not yet received)	<u>(32 880)</u>	<u>(32 880)</u>
<b>19.17 Provincial : Swimming Pool Ladismith</b>		
Balance unspent at beginning of year	(22 099)	-
Current year receipts	-	-
Conditions met - transferred to revenue	-	(22 099)
Conditions still to be met (Spent not yet received)	<u>(22 099)</u>	<u>(22 099)</u>
<b>19.18 Provincial: Taxi Rank</b>		
Balance unspent at beginning of year	319 513	412 730
Current year receipts	-	-
Conditions met - transferred to revenue	-	(93 217)
Conditions still to be met (Spent not yet received)	<u>319 513</u>	<u>319 513</u>
<b>19.19 Flood damage projects</b>		
Balance unspent at beginning of year	4 799 268	103 460
Current year receipts	(152 981)	5 619 000
Conditions met - transferred to revenue	(2 466 915)	(923 192)
Conditions still to be met (Spent not yet received)	<u>2 179 372</u>	<u>4 799 268</u>
<b>19.20 Van Wyksdorp water research</b>		
Balance unspent at beginning of year	31 465	31 465
Current year receipts	-	-
Conditions met - transferred to revenue	(20 160)	-
Conditions still to be met (Spent not yet received)	<u>11 305</u>	<u>31 465</u>
<b>19.21 Provincial : Umsobomwu</b>		
Balance unspent at beginning of year	253 984	3 984
Current year receipts	-	250 000
Conditions met - transferred to revenue	(39 214)	-
Conditions still to be met (Spent not yet received)	<u>214 770</u>	<u>253 984</u>
<b>19.22 National: Nissenville Roads</b>		
Balance unspent at beginning of year	(400 134)	300 000
Current year receipts	1 060 922	5 355 000
Conditions met - transferred to revenue	(619 946)	(6 055 134)
Conditions still to be met (Spent not yet received)	<u>40 842</u>	<u>(400 134)</u>
<b>19.23 Provincial -Sportgrounds Van Wyksdorp</b>		
Balance unspent at beginning of year	300 000	-
Current year receipts	-	300 000
Conditions met - transferred to revenue	(43 004)	-
Conditions still to be met (Spent not yet received)	<u>256 996</u>	<u>300 000</u>
<b>19.24 District Council Housing</b>		
Balance unspent at beginning of year	13 130	17 426
Current year receipts	-	-
Conditions met - transferred to revenue	-	(4 296)
Conditions still to be met (Spent not yet received)	<u>13 130</u>	<u>13 130</u>
<b>19.25 Ladismith Electrical upgrading</b>		
Balance unspent at beginning of year	248 425	751 834
Current year receipts	-	320 849
Transferred to other Grant	-	-
Conditions met - transferred to revenue	(656 382)	(824 258)
Conditions still to be met (Spent not yet received)	<u>(407 957)</u>	<u>248 425</u>

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	R	R
<b>19 GOVERNMENT GRANTS AND SUBSIDIES(cont)</b>		
<b>19.26 Eden : Water</b>		
Balance unspent at beginning of year	(1 598 386)	-
Current year receipts	1 712 170	-
Conditions met - transferred to revenue	(137 088)	(1 598 386)
Conditions still to be met (Spent not yet received)	<u>(23 304)</u>	<u>(1 598 386)</u>
<b>19.27 Department Water Affiars</b>		
Balance unspent at beginning of year	(106 746)	-
Current year receipts	512 000	288 000
Conditions met - transferred to revenue	(360 994)	(394 746)
Conditions still to be met (Spent not yet received)	<u>44 261</u>	<u>(106 746)</u>
<b>19.28 Upgrading Sports Facility Calitzdorp</b>		
Balance unspent at beginning of year	250 000	-
Current year receipts	-	250 000
Conditions met - transferred to revenue	-	-
Conditions still to be met (Spent not yet received)	<u>250 000</u>	<u>250 000</u>
<b>19.29 Upgrading of Streets Calitzdorp</b>		
Balance unspent at beginning of year	(126 429)	-
Current year receipts	8 631 594	-
Conditions met - transferred to revenue	(6 696 061)	(126 429)
Conditions still to be met (Spent not yet received)	<u>1 809 104</u>	<u>(126 429)</u>
<b>19.30 Upgrading of Streets Van Wyksdorp</b>		
Balance unspent at beginning of year	(24 000)	-
Current year receipts	-	-
Conditions met - transferred to revenue	-	(24 000)
Conditions still to be met (Spent not yet received)	<u>(24 000)</u>	<u>(24 000)</u>
<b>19.31 Upgrading of Streets Zoar</b>		
Balance unspent at beginning of year	(24 000)	-
Current year receipts	-	-
Conditions met - transferred to revenue	-	(24 000)
Conditions still to be met (Spent not yet received)	<u>(24 000)</u>	<u>(24 000)</u>
<b>19.32 Advert Costs - LAND USE &amp; PLAN</b>		
Balance unspent at beginning of year	900	-
Current year receipts	-	1 800
Conditions met - transferred to revenue	-	(900)
Conditions still to be met (Spent not yet received)	<u>900</u>	<u>900</u>
<b>19.33 Calitzdorp Housing - ASLA</b>		
Balance unspent at beginning of year	-	-
Current year receipts	3 208 231	-
Conditions met - transferred to revenue	(3 206 144)	-
Conditions still to be met (Spent not yet received)	<u>2 087</u>	<u>-</u>
<b>19.34 Side Demand Management Meters</b>		
Balance unspent at beginning of year	-	-
Current year receipts	4 000 000	-
Conditions met - transferred to revenue	(1 361 393)	-
Conditions still to be met (Spent not yet received)	<u>2 638 607</u>	<u>-</u>
<b>19.35 CDW Operational Support Grant</b>		
Balance unspent at beginning of year	76 116	-
Current year receipts	168 000	168 000
Conditions met - transferred to revenue	0	(91 884)
Conditions still to be met (Spent not yet received)	<u>244 116</u>	<u>76 116</u>
<b>19.36 GRANTS PROVINCIAL ALLOCATIONS</b>		
Balance unspent at beginning of year	-	-
Current year receipts	266 000	-
Conditions met - transferred to revenue	-	-
Conditions still to be met (Spent not yet received)	<u>266 000</u>	<u>-</u>
<b>19 GOVERNMENT GRANTS AND SUBSIDIES(cont)</b>		
<b>19.37 Subsidy Eden District Municipality</b>		
Balance unspent at beginning of year	-	-
Current year receipts	23 000	-
Conditions met - transferred to revenue	(3 700)	-
Conditions still to be met (Spent not yet received)	<u>19 300</u>	<u>-</u>

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	<b>2010</b>	<b>2009</b>
	<b>R</b>	<b>R</b>
<b>19 GOVERNMENT GRANTS AND SUBSIDIES(cont)</b>		
<b>19.38 LADISMITH WATER PROJECT - EDEN</b>		
Balance unspent at beginning of year	-	-
Current year receipts	1 313 841	-
Conditions met - transferred to revenue	(353 638)	-
<b>Conditions still to be met (Spent not yet received)</b>	<b>960 203</b>	<b>-</b>
<b>19.39 Changes in levels of government grants</b>		
Based on the allocations set out in the Division of Revenue Act, (Act ...of 2010), no significant changes in the level of government grant funding are expected over the forthcoming 3 financial years.		
<b>20 RENTAL OF FACILITIES AND EQUIPMENT</b>		
Rental of facilities	<b>237 250</b>	<b>308 469</b>
<b>21 EMPLOYEE RELATED COSTS</b>		
Employee related cost - Salaries and wages	14 220 498	12 973 731
Employee related cost - Social contributions	3 068 105	2 443 936
Travel, motor car, accomodation & other allowances	1 563 266	884 101
Housing benefits and allowances	2 118 041	77 770
Overtime benefits	859 362	940 390
Contribution to leave gratuity	906 233	528 979
Less: Employee costs included in other expenses	(649 577)	(695 637)
<b>Total Employee Related Costs</b>	<b>22 085 929</b>	<b>17 153 270</b>
<b>Municipal Manager</b>		
Annual remuneration	760 074	680 173
Performance Bonus	95 225	113 053
	<b>855 299</b>	<b>793 226</b>
<b>Chief Financial Officer</b>		
Annual remuneration	577 302	515 951
Performance Bonus	65 211	60 211
Social Contributions	29 951	27 468
	<b>672 465</b>	<b>603 630</b>
<b>Chief Corporate Services</b>		
Annual remuneration	280 537	543 420
Performance Bonus	70 645	60 211
	<b>351 182</b>	<b>603 631</b>
<b>Director Technical</b>		
Annual remuneration	607 254	543 420
Performance Bonus	65 211	35 123
	<b>672 465</b>	<b>578 543</b>
<b>22 REMUNERATION OF COUNCILLORS</b>		
Executive Mayor	657 701	378 844
Deputy Executive Mayor	315 233	311 859
Speaker	413 818	187 142
Councillors	1 170 246	977 732
<b>Total Councillors' Remuneration</b>	<b>2 556 998</b>	<b>1 855 577</b>
<b>In-kind Benefits</b>		
The Executive Mayor, Deputy Executive Mayor, Speaker and executive Mayoral Committee Members are full time. Each is provided with an office and secretarial support at the cost of Council.		

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	<b>2010</b>	<b>2009</b>
	<b>R</b>	<b>R</b>
<b>23 DEPRECIATION AND AMORTISATION EXPENSE</b>		
Property, plant and equipment	8 762 522	8 593 857
<b>Total Depreciation and Amortisation</b>	<b>8 762 522</b>	<b>8 593 857</b>
<b>24 FINANCE COSTS</b>		
Borrowings	1 420 042	1 581 414
Bank overdrafts	-	1 986
Interest Paid - SARS		15 191
<b>Total Finance Costs</b>	<b>1 420 042</b>	<b>1 598 592</b>
<b>25 BULK PURCHASES</b>		
Electricity	15 981 970	12 767 725
Water	244 573	439 620
<b>Total Bulk Purchases</b>	<b>16 226 543</b>	<b>13 207 345</b>
<b>26 GRANTS AND SUBSIDIES PAID</b>		
Grants and subsidies in aid	106 156	39 151
	<b>106 156</b>	<b>39 151</b>
<b>27 GENERAL EXPENSES</b>		
Included in general expenses are the following:-		
Advertising	101 208	240 507
Audit fees	932 010	732 764
Bank charges	119 907	112 973
Bursaries	13 752	-
Cleaning	34 546	39 317
Commissions paid	146 103	942 425
Conferences and delegations	69 464	45 608
Connection charges	-	-
Consulting fees	3 149 081	2 442 999
Departmental Consumption	1 181 908	1 219 531
Entertainment	53 288	51 210
Financial Management Grant expenditure	-	-
Fines - Sars	-	30 218
Fuel and oil	611 140	611 752
Insurance	209 327	124 172
Legal Expenses	643 234	312 242
Licence fees - vehicles	134 040	109 628
Licence fees - computers	-	-
Membership fees	151 312	103 974
Postage	332 383	169 135
Printing and stationery	252 047	291 380
Professional fees	-	-
Rental of equipment	227 255	373 043
Seminar cost	-	52 108
Skills development levy	168 231	111 839
Stocks and material	419 197	616 754
Telephone cost	614 985	654 139
Training	150 460	214 449
Travel and subsistence	1 219 402	1 543 930
Uniforms and overalls	71 450	28 796
Other expenditure	6 402 455	3 199 490
Contract costs	-	-
	<b>17 408 185</b>	<b>14 374 383</b>

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	<u>2010</u>	<u>2009</u>
	R	R
<b>28 GAIN / (LOSS) ON DISPOSAL OF ASSETS</b>		
Property, plant and equipment	(652 873)	373 343
<b>Total Gain / (Loss) on Disposal of Assets</b>	<u><u>(652 873)</u></u>	<u><u>373 343</u></u>
<b>29 GAIN / (LOSS) ON FAIR VALUE ADJUSTMENT</b>		
Property, Plant and Equipment	-	186 308 218
<b>Total Gain / (Loss) on Fair Value Adjustment</b>	<u><u>-</u></u>	<u><u>186 308 218</u></u>
<b>30 CASH GENERATED BY OPERATIONS</b>		
Surplus/(deficit) for the year	(2 536 038)	186 462 188
Adjustment for:-		
(Gain) / loss on sale of assets	652 873	(373 343)
Appropriations	(79 309)	-
Contribution to provisions	-	(332 000)
Depreciation and amortisation	8 762 522	8 593 857
Fair value adjustments	-	(186 308 218)
Cash items		
Finance costs	1 420 042	1 598 592
Finance Income	(1 519 425)	(2 105 538)
<b>Operating surplus before working capital changes:</b>	<u><u>6 700 664</u></u>	<u><u>7 535 538</u></u>
(Increase)/decrease in inventories	(380 757)	239 984
(Increase)/decrease in trade receivables	586 101	20 546
(Increase)/decrease in other receivables	(149 473)	(2 010 271)
(Increase)/decrease in VAT receivable	548 152	273 331
Increase/(decrease) in trade payables	1 502 965	8 310 929
Increase/(decrease) in consumer deposits	30 588	32 514
Increase/(decrease) in VAT payable	363 540	-
<b>Cash generated by/(utilised in) operations</b>	<u><u>9 201 780</u></u>	<u><u>14 402 572</u></u>
<b>31 CASH AND CASH EQUIVALENTS</b>		
Cash and cash equivalents included in the cash flow statement comprise the following:		
Bank balances and cash	3 221 425	8 053 410
<b>Net cash and cash equivalents (net of bank overdrafts)</b>	<u><u>3 221 425</u></u>	<u><u>8 053 410</u></u>
<b>32 CORRECTION OF ERROR</b>		
<b>32.1 Housing Development Fund</b>		
<p>The Housing Development Fund was established during the process of converting to GAMAP/GRAP in the 2007 financial year on the assumption that the Fund was supported by the Housing Debtors. However, during the 2009 financial year it was established that the Housing Debtors should never have been deemed collectable and that the Housing Development Fund was founded on an incorrect asset base. Subsequently, the housing Development Fund has been reversed during the 2010 financial year.</p> <p>The comparative amount has been restated as follows:</p>		
<b>Statement of Financial Position</b>		
Housing Development Fund previously reported - 2009		760 427
Transferred to Accumulated Surplus / (deficit) for the year - 2009		<u><u>(760 427)</u></u>
Effect on Accumulated surplus - 2008 Dr/(Cr)		<u><u>(760 427)</u></u>

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	<u>2010</u>	<u>2009</u>
	R	R
<b>32 CORRECTION OF ERROR(cont)</b>		
<b>32.2 Government Grant Reserve</b>		
During the 2009 financial year the Government Grant Reserve was established through the correction of error. This error was based on the general practice of recognising Property, Plant and Equipment funded from Grant Revenue through the Government Grant Reserve and offsetting of depreciation against the reserve over the lifespan of the items of Property, Plant and Equipment. This practice has however been deemed incorrect and the correction is made during the current financial year.		
The comparative amount has been restated as follows:		
<b>Statement of Financial Position</b>		
Government Grant Reserve previously reported - Opening Balance - 2008		43 409 023
Transferred to Accumulated Surplus / (deficit) for the year - 2009		<u>(43 409 023)</u>
		-
Previously reported - Transfer of 2009 Acquisitions		12 797 523
Transferred to Accumulated Surplus / (deficit) for the year - 2009		<u>(12 797 523)</u>
		-
Effect on Accumulated surplus - 2008 Dr/(Cr)		(43 409 023)
Effect on Accumulated surplus - 2009 Dr/(Cr)		<u>(12 797 523)</u>
		<u>(56 206 546)</u>
<b>32.3 Unspent Conditional Grants</b>		
During the 2003/2004 financial year, a grant was received to complete a 132 Kva Substation. This grant was erroneously disclosed as "unspent" during previous financial years. A correction has been made in the 2009 financial statements, which recognises the grant revenue and derecognises the unspent portion of this grant.		
The comparative amount has been restated as follows:		
<b>Statement of Financial Position</b>		
Unspent Conditional Grants previously reported - Opening Balance - 2008		2 497 414
Transferred to Accumulated Surplus / (deficit) for the year - 2009		<u>(2 497 414)</u>
		-
		-
Effect on Accumulated surplus - 2008 Dr/(Cr)		<u>(2 497 414)</u>
<b>32.4 Service Charges - Electricity Sales</b>		
Due to incorrect cut-off procedures, certain electricity sales in respect of June 2009 were not recognised during the 2009 Annual Financial Statements.		
The comparative amount has been restated as follows:		
<b>Statement of Financial Position</b>		
Consumer Debtor recognised - 2009		569 195
VAT Provision on Debtors		<u>(69 901)</u>
		499 294
<b>Statement of Financial Performance</b>		
Services Charges recognised - Electricity Sales		<u>(499 294)</u>
		-
Effect on Accumulated surplus - 2009 Dr/(Cr)		<u>(499 294)</u>
<b>32.5 Staff Leave</b>		
During the 2009 financial year, staff leave was calculated incorrectly.		
The comparative amount has been restated as follows:		
<b>Statement of Financial Position</b>		
Trade and Other Payables - Staff leave accrual		<u>(159 027)</u>
		-
<b>Statement of Financial Performance</b>		
Employee related costs		<u>159 027</u>
		-
Effect on Accumulated surplus - 2009 Dr/(Cr)		<u>159 027</u>



**KANNALAND LOCAL MUNICIPALITY**  
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**NOTES TO THE FINANCIAL STATEMENTS**

	<u>2010</u>	<u>2009</u>
	R	R
<b>32 CORRECTION OF ERROR(cont)</b>		
<b>32.6 Workmens Compensation</b>		
During the 2009 financial year, no provision was made in respect of Workmens Compensation. The comparative amount has been restated as follows:		
<b>Statement of Financial Position</b>		
Trade and Other Payables - Workmens Compensation Commissioner		<u>(233 189)</u>
<b>Statement of Financial Performance</b>		
General Expenses - Workmens compensation		<u>233 189</u>
Effect on Accumulated surplus - 2009 Dr/(Cr)		<u><u>233 189</u></u>
<b>32.7 Other Receivables - Provision for Bad Debt</b>		
A number of other receivables are considered doubtful for collection. This fact came to light during the 2009 financial year but was erroneously omitted from the provision for bad debts The comparative amount has been restated as follows:		
<b>Statement of Financial Position</b>		
Other Receivables		<u>(43 290)</u>
<b>Statement of Financial Performance</b>		
Provision for Bad Debts		<u>43 290</u>
Effect on Accumulated surplus - 2009 Dr/(Cr)		<u><u>43 290</u></u>
<b>32.8 Fines Revenue</b>		
Due to a clerical error, the VAT component of a allocation correction journal was not correctly allocated which resulted in the overstatement of Fines revenue The comparative amount has been restated as follows:		
<b>Statement of Financial Position</b>		
Trade and other payables		<u>(21 368)</u>
<b>Statement of Financial Performance</b>		
Fines revenue		<u>21 368</u>
Effect on Accumulated surplus - 2009 Dr/(Cr)		<u><u>21 368</u></u>
<b>32.9 Agency Fees</b>		
During the 2009 financial year, Agency fee revenue was not recognised which resulted in the overstatement of the Vehicle registration fee liability The comparative amount has been restated as follows:		
<b>Statement of Financial Position</b>		
Trade and other payables		369 787
VAT Liability		<u>(45 412)</u>
		324 375
<b>Statement of Financial Performance</b>		
Agency fees		<u>(324 375)</u>
Effect on Accumulated surplus - 2009 Dr/(Cr)		<u><u>(324 375)</u></u>

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**NOTES TO THE FINANCIAL STATEMENTS**

	<u>2010</u>	<u>2009</u>
	R	R
<b>32 CORRECTION OF ERROR(cont)</b>		
<b>32.10 Consumer Debtors - Provision for Bad Debts</b>		
During the 2009 financial year, the provision for bad debts have been understated		
The comparative amount has been restated as follows:		
<b>Statement of Financial Position</b>		
Consumer debtors and other receivables		<u>(4 023 265)</u>
<b>Statement of Financial Performance</b>		
Bad debts		<u>4 023 265</u>
Effect on Accumulated surplus - 2009 Dr/(Cr)		<u><u>4 023 265</u></u>
<b>32.11 Consumer Debtors - Incorrect Levy</b>		
During 2009, consumer debtors were understated due to an incorrect reversal of municipal charges		
The comparative amount has been restated as follows:		
<b>Statement of Financial Position</b>		
Consumer debtors and other receivables		<u>73 592</u>
<b>Statement of Financial Performance</b>		
General expenses		<u>(73 592)</u>
Effect on Accumulated surplus - 2009 Dr/(Cr)		<u><u>(73 592)</u></u>
<b>32.12 Consumer Debtors - Incorrect Levy</b>		
During 2009, consumer debtors were understated due to a clerical error which resulted in a medical aid fund contribution refund incorrectly deducted from a consumer account.		
The comparative amount has been restated as follows:		
<b>Statement of Financial Position</b>		
Consumer debtors and other receivables		<u>3 002</u>
<b>Statement of Financial Performance</b>		
Employee related costs		<u>(3 002)</u>
Effect on Accumulated surplus - 2009 Dr/(Cr)		<u><u>(3 002)</u></u>
<b>32.13 Provision for Bad Debt - Grant spent not received</b>		
During the 2009 financial year, essential expenditure were incurred in relation to the National Recovery Plan under the assumption that this expenditure will form part of the funded project a refund will be received. However, the Recovery Plan project was recalled and it was determined that the municipality will not be refundd for the incurred expenditure.		
The comparative amount has been restated as follows:		
<b>Statement of Financial Position</b>		
Other Receivables - Grant debtors		<u>(483 260)</u>
<b>Statement of Financial Performance</b>		
Provision for Bad Debts		<u>483 260</u>
Effect on Accumulated surplus - 2009 Dr/(Cr)		<u><u>483 260</u></u>

**KANNALAND LOCAL MUNICIPALITY**  
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**NOTES TO THE FINANCIAL STATEMENTS**

	<u>2010</u>	<u>2009</u>
	R	R
<b>32 CORRECTION OF ERROR(cont)</b>		
<b>32.14 Property, Plant and Equipment</b>		
During the unbundling of infrastructure an incorrect basis was used to determine Depreciated Replacement Cost. The calculation was corrected and the financial statements were restated. The comparative amount has been restated as follows:		
<b>Statement of Financial Position</b>		
Property, Plant and Equipment - Cost		9 376 255
Property, Plant and Equipment - Accumulated Depreciation		(6 539 650)
Accumulated Surplus		
<b>Statement of Financial Performance</b>		
Depreciation		(6 539 650)
Fair Value Adjustment		9 376 255
Effect on Accumulated surplus - 2008 Dr/(Cr)		
Effect on Accumulated surplus - 2009 Dr/(Cr)		
		<u>(6 539 650)</u>
<b>32.15 Property, Plant and Equipment</b>		
Previously, information available did not allow for the unbundling of Land and Buildings as separate items of Property, Plant and Equipment. This information has been made available which resulted in the restatement of Land and Buildings retrospectively. The comparative amount has been restated as follows:		
<b>Statement of Financial Position</b>		
Property, Plant and Equipment - Cost		(1 083 293)
Property, Plant and Equipment - Accumulated Depreciation -2008		1 637 674
Property, Plant and Equipment - Accumulated Depreciation -2009		(464 225)
Accumulated Surplus		3 185 192
<b>Statement of Financial Performance</b>		
Depreciation		464 225
Fair Value Adjustment		2 720 967
Effect on Accumulated surplus - 2008 Dr/(Cr)		
Effect on Accumulated surplus - 2009 Dr/(Cr)		
		<u>3 185 192</u>
<b>32.16 Property, Plant and Equipment</b>		
After an assessment of the extent of the finance lease of the municipality's PABX system, it was establish the original value of the asset calculated based on the lease term, was incorrect. The calculation has been corrected and the value of the asset restated. The comparative amount has been restated as follows:		
<b>Statement of Financial Position</b>		
Property, Plant and Equipment - Cost		74 587
Property, Plant and Equipment - Accumulated Depreciation -2008		(10 734)
Property, Plant and Equipment - Accumulated Depreciation -2009		(34 127)
Accumulated Surplus - 2008		10 734
Accumulated Surplus - 2009		34 127
<b>Statement of Financial Performance</b>		
Depreciation		34 127
Effect on Accumulated surplus - 2008 Dr/(Cr)		10 734
Effect on Accumulated surplus - 2009 Dr/(Cr)		34 127
		<u>34 127</u>

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**NOTES TO THE FINANCIAL STATEMENTS**

	<u>2010</u>	<u>2009</u>
	R	R
<b>32 CORRECTION OF ERROR(cont)</b>		
<b>32.17 Unspent Conditional Grants</b>		
During the 2009 financial year, the funding of an asset through the National Grant Nissenville Roads was incorrectly recognised. The comparative amount has been restated as follows:		
<b>Statement of Financial Position</b>		
National Grant - Nissenville Roads		(40 842)
Accumulated Surplus - 2009		40 842
<b>Statement of Financial Performance</b>		
Fair Value		40 842
Effect on Accumulated surplus - 2009 Dr/(Cr)		<u><u>40 842</u></u>
<b>32.18 Unspent Conditional Grants</b>		
During the 2009 financial year, the funding of an asset through the the Provincial: Electricity / Water Meters project was incorrectly processed against a sundry creditor account. The comparative amount has been restated as follows:		
<b>Statement of Financial Position</b>		
Provincial: Electricity / Water Meters		115 000
Property Plant and Equipment		115 000
Sundry Creditors		(115 000)
Accumulated Surplus - 2009		(115 000)
<b>Statement of Financial Performance</b>		
Government Grants and Subsidies Received		(115 000)
Effect on Accumulated surplus - 2009 Dr/(Cr)		<u><u>(115 000)</u></u>
<b>32.19 Unspent Conditional Grants</b>		
During the 2009 financial year, a grant received in respect of CDW workers was treated as sundry revenue and expenses funded from this grant was offsetted directly against the revenue. The grant and associated expenditure was therefore never recognised as such. The comparative amount has been restated as follows:		
<b>Statement of Financial Position</b>		
Property, Plant and Equipment - Cost		88 304
Property, Plant and Equipment - Accumulated Depreciation		(29 435)
Accumulated Surplus - 2009		
<b>Statement of Financial Performance</b>		
General Expenses		3 579
Depreciation		29 435
Government grants and subsidies received		(91 884)
Effect on Accumulated surplus - 2009 Dr/(Cr)		<u><u>(58 869)</u></u>

**KANNALAND LOCAL MUNICIPALITY**  
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**NOTES TO THE FINANCIAL STATEMENTS**

	<u>2010</u>	<u>2009</u>
	R	R
<b>32 CORRECTION OF ERROR(cont)</b>		
<b>32.20 Property, Plant and Equipment</b>		
Due to the incorrect asset recognition process, asset acquisitions for the 2009 financial were not correctly accounted for. The methodology has been corrected which resulted in a significant change in Property, Plant and Equipment. The comparative amounts, excluding adjustments to Property, Plant and Equipment already disclosed under Correction of Errors, has been restated as follow:		
<b>Statement of Financial Position</b>		
Property, Plant and Equipment - Cost		1 940 222
Accumulated Surplus - 2009		(1 940 222)
<b>Statement of Financial Performance</b>		
Fair Value		(1 940 222)
Effect on Accumulated surplus - 2009 Dr/(Cr)		<u><u>(1 940 222)</u></u>
 <b>33 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED</b>		
<b>33.1 Fruitless and wasteful expenditure</b>		
Fruitless and Wasteful Expenditure - Finance Cost on ABSA Loan		<u><u>1 175 518</u></u>
During the 2003/2004 financial year, a loan was taken up to erect a 132 Kva Substation. In addition, a grant was received for the same purpose. The Grant funding was utilised for its intended purpose, but the funds received on the loan was absorbed in the normal business activities of the municipality. The interest paid on the loan is therefore considered fruitless and wasteful.		
Fruitless and Wasteful Expenditure - Finance Cost and Penalties on VAT, PAYE and UIF		<u><u>747 688</u></u>
A claim arose from the appointment of Tuiniqua Consulting Engineers for the design of a housing project in Calitzdorp c.2004, which project was subsequently combined with another project to which a different consulting engineer had been appointed. These changes of project and appointment were made unilaterally by the Provincial Department of Housing, without recourse to their legal responsibilities in this regard. A settlement of R300 000 is provided as a final settlement of this liability. Legal Fees to the value of R1 575 has also been incurred in respect of this claim		<u><u>301 575</u></u>

**KANNALAND LOCAL MUNICIPALITY**  
**ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010**

**NOTES TO THE FINANCIAL STATEMENTS**

	<u>2010</u>	<u>2009</u>
	R	R
<b>34 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT</b>		
<b>34.1 Contributions to organised local government - SALGA</b>		
Opening balance	-	-
Council subscriptions	143 431	99 444
Amount paid - current	(143 431)	( 99 444)
Amount paid - previous years		
<b>Balance unpaid (included in payables)</b>	<u>-</u>	<u>-</u>
<b>34.2 Audit fees</b>		
Opening balance	-	-
Current year audit fee	932 010	732 764
Amount paid - current year	(932 010)	(732 764)
Amount paid - previous years		
<b>Balance unpaid (included in payables)</b>	<u>-</u>	<u>-</u>
<b>34.3 VAT</b>		
VAT input receivables and VAT output payables are shown in note 9. All VAT returns have been submitted by the due date throughout the year.		
<b>34.4 Pension and Medical Aid Deductions</b>		
Opening balance	8 568	(3 064)
Current year payroll deductions and Council Contributions	2 075 016	1 374 449
Amount paid - current year	(1 805 720)	(1 365 881)
Amount paid - previous years		3 064
<b>Balance unpaid (included in payables)</b>	<u>277 864</u>	<u>8 568</u>
<b>35 CONTINGENT LIABILITY</b>		
Management is not aware of any action or event of which the outcome is not known, which may give rise to a material liability.		
<b>36 EVENTS AFTER THE REPORTING DATE</b>		
At the date of this report, management was not aware of any event or circumstance, which have come to their attention after the end of the financial year, which may have a material impact on the information contained in these financial statements		
<b>37 COMPARISON WITH THE BUDGET</b>		
The comparison of the Municipality's actual financial performance with that budgeted is set out in Annexures E(1) and E(2)		

**APPENDIX B**  
**ANALYSIS OF PROPERTY, PLANT & EQUIPMENT AS AT 30 JUNE 2010**

	HISTORICAL COST					ACCUMULATED DEPRECIATION				Carrying Value
	Opening Balance	Additions/ Transfers	Under Construction	Disposals	Closing Balance	Opening Balance	Additions/ Transfers	Disposals	Closing Balance	
	R	R	R	R	R	R	R	R	R	
<b>Land and Buildings</b>										
Land	2 949 674		-	-	2 949 674	-	-	-	-	2 949 674
Buildings	9 364 935	19 688	-	-	9 384 623	464 225	464 608	-	928 833	8 455 790
	<b>12 314 609</b>	<b>19 688</b>	<b>-</b>	<b>-</b>	<b>12 334 297</b>	<b>464 225</b>	<b>464 608</b>	<b>-</b>	<b>928 833</b>	<b>11 405 464</b>
<b>Infrastructure</b>										
Electricity-High Voltage	4 757 020	(50 000)	-	-	4 707 020	94 140	94 140	-	188 281	4 518 739
Electricity-Low Voltage	26 993 495	2 589 021	-	(365 056)	29 217 460	496 288	565 876	(29 191)	1 032 973	28 184 487
Electricity-Medium Voltage	25 752 179	254 872	-	(254 061)	25 752 990	412 710	513 165	-	925 875	24 827 115
Road Transport-Footpaths	627 357	-	-	-	627 357	16 762	16 762	-	33 523	593 834
Road Transport-Road	35 575 604	(2 685 337)	8 327 335	-	41 217 602	1 602 921	1 671 489	-	3 274 410	37 943 192
Road Transport-Road Signage	138 484	-	-	-	138 484	2 826	2 826	-	5 652	132 832
Road Transport-Taxi Rank	1 170 969	-	-	-	1 170 969	57 006	57 006	-	114 012	1 056 957
Sanitation-Pump Station	1 287 836	4 098	-	-	1 291 934	55 330	58 507	-	113 838	1 178 096
Sanitation-Sewage Treatment Works	11 583 526	39 537	-	-	11 623 063	445 058	543 075	-	988 133	10 634 930
Sanitation-Sewer Reticulation Pipeline	51 264 531	-	-	-	51 264 531	1 036 010	1 036 010	-	2 072 021	49 192 510
Solid Waste Disposal-Landfill	101 147	-	-	-	101 147	4 974	4 974	-	9 947	91 200
Stormwater-Culvert	38 936	-	-	-	38 936	1 424	1 424	-	2 849	36 087
Stormwater-Erosion Protection	-	512 051	-	-	512 051	-	11 445	-	11 445	500 606
Stormwater-Open Channel	4 953 191	-	-	-	4 953 191	117 892	117 892	-	235 784	4 717 407
Stormwater-Reticulation Pipeline	-	3 210 997	-	-	3 210 997	-	62 961	-	62 961	3 148 036
Water Supply-Bulk Supply	20 640 980	236 096	-	-	20 877 076	316 034	393 269	-	709 303	20 167 773
Water Supply-Bulk Water Channel	102 847	712	-	-	103 559	-	4 503	-	4 503	99 056
Water Supply-Bulk Water Pipeline	6 664 774	-	-	-	6 664 774	111 046	111 046	-	222 093	6 442 681
Water Supply-Pump Station	2 951 105	2 980	-	-	2 954 085	357 224	366 141	-	723 365	2 230 720
Water Supply-Reservoir	13 087 117	9 520	-	-	13 096 637	299 626	304 783	-	604 409	12 492 228
Water Supply-Reticulation Pipeline	27 358 411	-	-	-	27 358 411	386 555	386 555	-	773 110	26 585 301
Water Supply-Water Treatment Works	6 818 715	324 314	-	-	7 143 028	246 650	248 469	-	495 119	6 647 909
	<b>241 868 223</b>	<b>4 448 859</b>	<b>8 327 335</b>	<b>(619 117)</b>	<b>254 025 302</b>	<b>6 060 478</b>	<b>6 572 319</b>	<b>(29 191)</b>	<b>12 603 605</b>	<b>241 421 697</b>
<b>Community Assets</b>										
Cemetery	671 545	-	-	-	671 545	42 781	42 781	-	85 562	585 983
Park	17 870	77 500	-	-	95 370	556	3 772	-	4 328	91 042
Sports Ground	9 225 844	-	-	-	9 225 844	476 082	476 082	-	952 164	8 273 680
	<b>9 915 259</b>	<b>77 500</b>	<b>-</b>	<b>-</b>	<b>9 992 759</b>	<b>519 419</b>	<b>522 635</b>	<b>-</b>	<b>1 042 054</b>	<b>8 950 705</b>
<b>Total carried forward</b>	<b>264 098 091</b>	<b>4 546 047</b>	<b>8 327 335</b>	<b>(619 117)</b>	<b>276 352 358</b>	<b>7 044 122</b>	<b>7 559 562</b>	<b>(29 191)</b>	<b>14 574 492</b>	<b>261 777 866</b>

**ANALYSIS OF PROPERTY, PLANT & EQUIPMENT AS AT 30 JUNE 2009**

	HISTORICAL COST					ACCUMULATED DEPRECIATION				Carrying Value
	Opening Balance	Additions/ Transfers	Under Construction	Disposals	Closing Balance	Opening Balance	Additions/ Transfers	Disposals	Closing Balance	
	R	R	R	R	R	R	R	R	R	
<b>Total brought forward</b>	<b>264 098 091</b>	<b>4 546 047</b>	<b>8 327 335</b>	<b>(619 117)</b>	<b>276 352 358</b>	<b>7 044 122</b>	<b>7 559 562</b>	<b>(29 191)</b>	<b>14 574 492</b>	<b>261 777 866</b>
<b>Other Assets</b>										
Furniture	1 007 828	83 055	-	(94 812)	996 071	288 766	250 749	(45 475)	494 040	502 031
It equipment	1 051 682	93 727	-	-	1 145 409	211 179	181 520	-	392 699	752 710
Office equipment	492 818	52 593	-	(9 036)	536 375	175 596	125 312	(4 279)	296 629	239 746
Kitchen equipment	23 078	-	-	-	23 078	9 456	7 623	-	17 079	5 999
Maintenance equipment	348 895	40 796	-	(8 910)	380 782	140 833	70 468	-	211 300	169 482
Health equipment	29 533	-	-	-	29 533	6 874	6 874	-	13 747	15 786
Vehicles	4 636 858	175 358	-	-	4 812 216	1 352 913	457 415	-	1 810 328	3 001 888
Leasehold Improvements	542 242	111 424	-	-	653 666	257 931	45 625	-	303 556	350 110
Software	441 204	25 091	-	-	466 294	166 111	57 375	-	223 486	242 808
Cleaning equipment	5 444	-	-	-	5 444	-	-	-	-	5 444
	<b>8 579 582</b>	<b>582 045</b>	<b>-</b>	<b>(112 758)</b>	<b>9 048 868</b>	<b>2 609 658</b>	<b>1 202 960</b>	<b>(49 754)</b>	<b>3 762 864</b>	<b>5 286 004</b>
<b>Total: Property, Plant and Equipment</b>	<b>272 677 673</b>	<b>5 128 092</b>	<b>8 327 335</b>	<b>(731 875)</b>	<b>285 401 226</b>	<b>9 653 780</b>	<b>8 762 522</b>	<b>(78 945)</b>	<b>18 337 356</b>	<b>267 063 870</b>



**KANNALAND LOCAL MUNICIPALITY**  
**ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010**

**APPENDIX D**  
**DETAILED SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2010**

<b>2009 Actual Income</b>	<b>2009 Actual Expenditure</b>	<b>2009 Actual Surplus/ (Deficit)</b>		<b>2010 Actual Income</b>	<b>2010 Actual Expenditure</b>	<b>2010 Actual Surplus/ (Deficit)</b>
<b>R</b>	<b>R</b>	<b>R</b>		<b>R</b>	<b>R</b>	<b>R</b>
2 030 479	6 198 899	(4 168 420)	Executive & Council	641 155	6 202 134	(5 560 978)
29 966 503	26 809 940	3 156 563	Finance & Admin	20 105 120	23 178 661	(3 073 540)
2 733 623	3 580 674	(847 051)	Community & Social Services	2 767 426	3 244 582	(477 157)
99 757	770 849	(671 092)	Housing	107 204	699 593	(592 389)
15 421	941 375	(925 954)	Sport & recreation	11 636	756 924	(745 289)
3 888 041	1 428 051	2 459 990	Waste Management	4 724 615	1 714 713	3 009 902
4 670 992	2 590 232	2 080 760	Waste Water Management	5 870 056	3 164 519	2 705 537
126 429	3 769 559	(3 643 129)	Road Transport	9 013 882	7 251 072	1 762 811
7 444 282	5 809 904	1 634 378	Water distribution	9 608 818	9 196 938	411 880
16 634 527	15 556 601	1 077 926	Electricity	20 389 655	20 366 471	23 184
<b>67 610 054</b>	<b>67 456 084</b>	<b>153 969</b>	<b>Total</b>	<b>73 239 568</b>	<b>75 775 607</b>	<b>(2 536 039)</b>

**KANNALAND LOCAL MUNICIPALITY  
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010**

**APPENDIX A  
SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2010**

<b>EXTERNAL LOANS</b>	<b>Loan Number</b>	<b>Redeemable</b>	<b>Balance at 2009/06/30</b>	<b>Received during the period</b>	<b>Adjustments</b>	<b>Redeemed written off during the period</b>	<b>Balance 2010/06/30</b>
<b>LONG- TERM LOANS</b>							
DBSA:Consolidated Loans @ 12,50%		30/04/2023	11 255 627	-	-	(326 627)	10 929 001
DBSA:Consolidated Loans @ 0%			6 952 457	-	-	-	6 952 457
			<b>18 208 084</b>	<b>-</b>	<b>-</b>	<b>(326 627)</b>	<b>17 881 458</b>
<b>LEASES</b>							
Finance Lease - NRB			7 789	-	-	(5 484)	2 305
Finance Lease - Technofin			151 986	107 479	-	(66 518)	192 947
Finance Lease - ABSA			59 269	-	-	(59 269)	(0)
Finance Lease - Nashua George			4 442	-	-	(2 679)	1 763
<b>Total leases</b>			<b>223 487</b>	<b>107 479</b>	<b>-</b>	<b>(133 951)</b>	<b>197 015</b>
<b>TOTAL EXTERNAL LOANS</b>			<b>18 431 571</b>	<b>(107 479)</b>	<b>-</b>	<b>(192 676)</b>	<b>18 078 473</b>

**Development Bank Loan No WC 103021**

During 2008 the loan from DBSA has been consolidated and rescheduled to an amount of R 11 587 526.79, repayable in 180 monthly installments commencing on 31 May 2008 with a fixed interest rate of 12.50% per year. An amount of R 6 952 465.76 will be carried as a long term liability but will be written-off over a periode of three years from the effective date on the condition that the borrower meets the agreed milestones set out in the agreement.

**ABSA Loan No 30-1109-3231**

The loan to ABSA carried an interest rate of 11.50% and was settled during the current financial year

**KANNALAND LOCAL MUNICIPALITY**  
**ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010**

**APPENDIX E (1)**  
**ACTUAL OPERATING VERSUS BUDGET**

	<b>2010 Actual R</b>	<b>2010 Budget R</b>	<b>2010 Variance R</b>	<b>2010 Variance %</b>	<b>Explanations of significant variances greater than 10% versus budget</b>
<b>REVENUE</b>					
Property rates	6 116 975	7 475 000	(1 358 025)	-18.17	
Service charges	27 795 020	29 883 400	(2 088 380)	-6.99	
Finance Income	1 519 425	700 000	819 425	117.06	Interest on Debtors not fully budgeted for
Government grants and subsidies	32 296 752	21 481 000	10 815 752	50.35	Uncertainty of expenditure patterns during budget
Rental of facilities and equipment	237 250	295 000	( 57 750)	-19.58	Smaller demand
Agency fees	451 643	0	451 643	100.00	Not budgeted for
Fines	2 420 299	1 500 000	920 299	61.35	Improved collection of fines
Other Revenue	3 055 077	222 300	2 832 777	1 274.30	Various incedentals not budgeted for
<b>Total Revenue</b>	<b>73 892 441</b>	<b>61 556 700</b>	<b>12 335 741</b>	<b>20.04</b>	
<b>EXPENDITURE</b>					
Employee related costs	22 085 928	20 282 636	1 803 292	8.89	
Remuneration of councillors	2 556 998	2 500 000	56 998	2.28	
Depreciation and amortisation expense	8 762 522	1 342 920	7 419 602	552.50	Accurate figures were not known at time of budget
Bad debts	4 648 739	1 000 000	3 648 739	364.87	Revised approach to impairment of debtors
Finance costs	1 420 042	1 389 800	30 242	2.18	
Collection costs	16 075	0	16 075	100.00	Not budgeted for seperately
Repairs and maintenance	2 544 419	3 717 000	(1 172 581)	-31.55	
Bulk purchases	16 226 543	15 600 000	626 543	4.02	
Grants and subsidies paid	106 156	0	106 156	100.00	Not budgeted for seperately
General expenses	17 408 185	7 576 156	9 832 029	129.78	Underprovision
<b>Total Expenditure</b>	<b>75 775 607</b>	<b>53 408 512</b>	<b>22 367 095</b>	<b>41.88</b>	
<b>NET SURPLUS/(DEFICIT) FOR THE YEAR</b>	<b>(1 883 166)</b>	<b>8 148 188</b>	<b>(10 031 354)</b>		

APPENDIX F

KANNALAND MUNICIPALITY

DISCLOSURES OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003

Grant and Subsidies Received

Name of Grants	Name of organ of state or municipal entity	Opening Balance 30-06-2009	Quarterly Receipts				Quarterly Expenditure				Closing Balance 30-06-2010	Reason for delay / withholding of funds	Did your municipality comply with the grant conditions in terms of grant framework in the latest Division of Revenue Act
			Sept	Dec	Mar	June	Sept	Dec	Mar	June			Yes / No
Equitable Share	National Department of Provincial and Local Government	-	(4 976 045)	-	(6 966 464)	-	995 190	3 980 760	2 985 570	3 980 989	-	None	Yes
Municipal Infrastrurure Grant	National Department of Provincial and Local Government	1 255 152	-	-	-	-	-	-	-	-	1 255 152	None	Yes
Drought Relief	National Department of Provincial and Local Government	592 688	-	-	-	-	-	-	-	(138 571)	454 117	None	Yes
Financial Management Grant	National Treasury	(278 440)	1 000 000	-	-	-	(100 243)	(106 384)	(2 511)	(882 688)	(370 266)	None	Yes
Recoveryplan - DBSA	Development Bank of South Africa	674 206	-	-	-	-	-	-	-	(14 850)	659 356	None	Yes
Recoveryplan - MSP	National Department of Housing	-	-	-	-	-	-	-	-	-	-	None	Yes
Recoveryplan - DPLG	National Department of Provincial and Local Government	(196 471)	1 820 000	-	-	-	(175 390)	(831 922)	-	(507 978)	108 239	None	Yes
Electricity/Water project	National Department of Provincial and Local Government	88 994	-	-	-	-	-	-	-	-	88 994	None	Yes
Calitzdorp Housing	National Department of Provincial and Local Government	710 352	-	-	-	-	(93 824)	(649 319)	-	-	(32 791)	None	Yes
Dried Fruit Project - Van Wyksdorp		28 834	-	-	-	-	(9 451)	(13 021)	(6 361)	-	0	None	Yes
Zoar Taxi Rank		319 514	-	-	-	-	-	-	-	-	319 514	None	Yes
Greening : Ladismith		629	-	-	-	-	-	-	-	-	629	None	Yes
Greening : Zoar		21 107	-	-	-	-	-	-	-	-	21 107	None	Yes
General Valuation		396 985	-	-	-	457 156	(650 263)	(163 090)	(889)	(42 850)	(2 950)	None	Yes
Watermeters : Zoar		325 028	-	-	-	-	-	-	-	-	325 028	None	Yes
Ladismith Housing		66 113	-	-	-	-	-	-	-	-	66 113	None	Yes
Flood Damage		4 799 268	-	-	-	(152 981)	(80 822)	(20 241)	(158 661)	(2 207 191)	2 179 372	None	Yes
Waterinvestigation Van Wyksdorp		31 466	-	-	-	-	(11 806)	(8 354)	-	-	11 306	None	Yes
Electrification Houses Ladismith		248 425	-	-	-	-	(303 661)	(8 910)	(34 047)	(309 763)	(407 957)	None	Yes
Nisserville Roads	National Department of Provincial and Local Government	(400 134)	1 545 000	-	742 000	(1 226 078)	(599 976)	-	(19 969)	-	40 842	None	Yes
Education : Housing	George Municipality	13 130	-	-	-	-	-	-	-	-	13 130	None	Yes
Umsobomwu		253 983	-	-	-	-	(6 286)	(52 747)	(1 042)	20 860	214 769	None	Yes
Eden DM Water-voorsiening	Eden DM	(1 598 386)	1 712 170	-	-	-	-	-	(67 266)	(69 823)	(23 304)	None	Yes
Dep Water Affairs Project	Dep Water Affairs	(106 746)	-	-	-	512 000	-	(143 177)	-	(217 816)	44 261	None	Yes
Sportsgrounds Van Wyksdorp	National Department of Provincial and Local Government (Culture)	300 000	-	-	-	-	-	-	-	(43 004)	256 996	None	Yes
Swimming Pool Calitzdorp	National Department of Provincial and Local Government (Culture)	(32 880)	-	-	-	-	-	-	-	-	(32 880)	None	Yes
Swimming Pool Ladismith	National Department of Provincial and Local Government (Culture)	(22 099)	-	-	-	-	-	-	-	-	(22 099)	None	Yes
Upgrading Sports Facilities Calitzdorp	National Department of Provincial and Local Government (Culture)	250 000	-	-	-	-	-	-	-	-	250 000	None	Yes
Upgrading of Streets Calitzdorp	National Department of Provincial and Local Government	(126 429)	1 667 000	1 600 000	-	5 364 594	-	(1 995 697)	(1 710 871)	(2 989 493)	1 809 104	None	Yes
Upgrading of Streets Van Wyksdorp	National Department of Provincial and Local Government	(24 000)	-	-	-	-	-	-	-	-	(24 000)	None	Yes
Upgrading of Streets Zoar	National Department of Provincial and Local Government	(24 000)	-	-	-	-	-	-	-	-	(24 000)	None	Yes
Calitzdorp Housing (ASLA)		-	3 208 231	-	-	-	-	(2 885 530)	-	(320 614)	2 087	None	Yes
Side Demand Management Meters		-	-	4 000 000	-	-	-	-	-	(1 361 393)	2 638 607	None	Yes
Grants Provincial Allocations		-	266 000	-	-	-	-	-	-	-	266 000	None	Yes
Subsidy Eden District Municipality		-	23 000	-	-	-	(3 700)	-	-	-	19 300	None	Yes
Ladismith Water Project Eden		-	1 313 841	-	-	-	-	-	-	(353 638)	960 203	None	Yes
CDW Operational Support Grant		76 116	168 000	-	-	-	-	-	-	-	244 116	None	Yes
Advert Cost - Land use and Planning		900	-	-	-	-	-	-	-	-	900	None	Yes
		7 643 305	12 723 241	5 600 000	742 000	4 954 691	(2 035 421)	(6 878 392)	(2 001 616)	(9 438 813)	11 308 993		

24 019 933

(20 354 243)

Note : A municipality should provide additional information on how a grant was spent per Vote. This excludes allocations from the Equitable Share